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Preparatory Committee for the International Conference on Financing for Development
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Agenda item 3
Preparation of the outcome of the International Conference on Financing for Development

Draft outcome prepared by the Facilitator

I. Towards a fully inclusive and equitable globalization

1. We, heads of State and Government, gathered in Monterrey, Mexico, on 21 and 22 March 2002, have committed ourselves to working together to ensure that the global systems of finance and trade fully support economic growth and social justice for all the peoples of the world. Our objective is to achieve a fully inclusive and equitable globalization.

2. We recognize that reversing the increasing polarization between the haves and have-nots is the pre-eminent moral and humanitarian challenge of our age. But meeting this challenge is also a matter of enlightened self-interest. The globalized economy must work for all of us or ultimately it will work for no one. That is the inescapable corollary of our interdependence, for in this world, someone else's poverty and despair very soon become one's own problem.

3. As leaders, we shall join forces through a strengthened multilateralism to ensure stable and sufficient financing for sustainable, gender-sensitive, people-centred development in all parts of the globe. Mobilizing the financial resources that are needed to fulfil the multilaterally agreed development goals — including those contained in the United Nations Millennium Declaration[1] — will be our first step towards ensuring that the twenty-first century becomes the century of development for all.

4. With this purpose in mind, we commit ourselves to upholding the following principles of global economic and social governance:

1. *Equity*. Redressing the asymmetries and imbalances in the distribution of costs and benefits in the current international economic system.

2. *Solidarity*. Addressing the special needs of vulnerable and marginalized countries and social groups.

3. *Co-responsibility*. Enhancing the supply of global public goods (GPGs) while preventing national actions, particularly domestic economic decisions, from negatively affecting other nations.

4. *Foresight*. Ensuring adequate balance between the response to pressing short-term needs and the attention to long-term imperatives of development, inter alia, through appropriate prevention measures that minimize the risks of financial crises.

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5. *Participation*. Ensuring that all members of the international community, especially developing countries, participate in economic decision-making and norm-setting at the global level.

6. *Ownership*. Recognizing the diversity of national and regional circumstances and cultures and respecting the autonomy of national economic policy and development strategies.

7. *Partnership*. Encouraging all relevant stakeholders, public and private, to undertake mutually reinforcing national, regional and international actions in support of financing for development.

5. On the basis of these principles, we commit ourselves to realizing the potential of the United Nations for exercising leadership and fostering cooperation to ensure that globalization works for human development and that its benefits reach all people.

II. Confronting the challenges of financing for development: leading actions

6. Our point of departure is the recognition that each country has primary responsibility for its own economic and social development. Yet, domestic policies are not enough: to redress unsustainable international asymmetries and imbalances, national development efforts need to be supported by an enabling international environment. The increasingly globalized economy requires from us a coherent, holistic approach to the national, international and systemic challenges of financing for development.

Mobilizing domestic financial resources for development

7. Domestic resources provide the foundation for self-sustaining development. In our common pursuit of growth and equity, a critical challenge is to ensure the necessary internal conditions for mobilizing enough domestic savings to sustain adequate levels of productive and human development investments. This enabling domestic environment is vital not only in mobilizing domestic resources, but also in attracting and effectively using international investment and assistance.

8. To this end, we shall:

- Strengthen our efforts to consolidate good governance and the rule of law, inter alia, by intensifying our combat of corruption and by enhancing policy and regulatory frameworks that foster a dynamic and well-functioning business sector while promoting equitable income distribution, empowering women and protecting workers' rights and the environment;
- Pursue sound macroeconomic policies geared to the sustainable achievement of high rates of economic growth and employment, price stability, and balanced external accounts;
- Promote fiscal discipline, medium-term fiscal frameworks, equitable and efficient tax systems, and prudent public sector debt management;
- Ensure sustainable investments in education, health, nutrition, and social security programmes, that take special care of children and are gender-sensitive and fully inclusive of the rural sector and all disadvantaged communities;
- Strengthen the domestic financial sector. In this regard, we attach priority to the following:
  - Progressive implementation of multilaterally agreed financial standards, duly adapted to the local institutional traditions and stage of development;
  - Development of capital markets and financial instruments to promote savings and provide long-term credit efficiently to all;
  - Microcredit and credit for small and medium-sized enterprises, including support of efforts to bring the informal sector into the formal economy;
  - Financial instruments that reduce the transfer costs of migrant workers' remittances and encourage their investment in projects of high development impact;
  - Pension schemes that maximize their dual role as a social protection for the elderly and as a source of savings.

9. To provide the necessary support to these efforts, we shall search collectively for ways to:

- Promote policy dialogue and coordination among peers at the subregional and regional levels on macroeconomic and development policies;
- Strengthen technical assistance for capacity-building, inter alia, in the areas of public finance and administration, gender budget analysis, financial sector development, and debt management, as well as in information and telecommunications infrastructure and management;
- Address the special needs of vulnerable and marginalized countries and social groups, particularly countries in Africa, the least developed countries, small island developing States, and landlocked and transit developing countries.

10. We shall also negotiate expeditiously, under the aegis of the United Nations, a comprehensive convention against corruption, including cooperation to eliminate money-laundering and illegal transactions as well as to repatriate illegally transferred funds.

Mobilizing international private resources for development

11. Foreign direct investment and other private flows are a vital complement to national development efforts of developing countries and countries with economies in transition, particularly for enhancing technology transfer, and boosting overall productivity, competitiveness and entrepreneurship. A central challenge is to attract these flows to a much larger number of countries, including low-income countries, small island developing States, and landlocked developing countries.

12. We call on the multilateral financial and development institutions to deepen their support to national efforts to improve the investment climate, upon request, in priority areas such as policy and regulatory frameworks, corporate governance, and competition policy.

13. We request the Secretary-General to explore, with the support of all relevant stakeholders, possible avenues to strengthen international cooperation in the promotion of foreign direct investments in developing countries and countries with economies in transition, inter alia, through investment agreements.

14. We commit to implementing measures that will encourage foreign direct investments in a greater number of developing countries, particularly low-income countries, small island developing States, and landlocked developing countries. Measures of this type include the removal of artificial domestic constraints and tax concessions in industrialized countries that prevent or discourage investments into developing countries.

15. We call on the multilateral and bilateral financial and development institutions to redouble their efforts in support of private investments in infrastructure development and other priority areas for developing countries, such as information and telecommunication projects to bridge the digital divide. Such support includes strengthening export-credit, risk-guarantee, and co-financing mechanisms, and promoting long-term private flows to support subregional and regional projects with high development impact.

16. We urge the business sector to consider not only the financial but also the social and environmental implications of their enterprises and encourage civil society organizations to help ensure adequate attention to these aspects. In this regard, we request the World Bank Group and regional development banks, through their private sector activities, to promote socially and environmentally responsible investments and to foster good corporate citizenship.

17. To ensure enhanced and predictable financial flows to developing countries and countries with economies in transition, a stable international financial system is also crucial. We call on the multilateral financial institutions to deepen their support to the development of appropriate regulatory frameworks to help sustain sufficient — and sufficiently stable — private flows to these countries, inter alia, through:

- Measures in source and destination countries to increase the transparency of financial flows and to contain the excessive volatility of short-term capital flows and of highly leveraged transactions, including trade in currencies;
- Measures to ensure orderly, gradual and well-sequenced capital-account liberalization processes;

- Safeguards to ensure that the New Basel Capital Accord does not increase pro-cyclicality of bank lending, and that it does not make bank loans prohibitively expensive to these countries;
- Measures to improve sovereign risk assessment, based on transparent procedures and on well-disclosed economic criteria.

International trade as an engine for growth and development

18. Trade liberalization would substantially contribute to achieving development worldwide, benefiting both developed and developing countries. Yet, trade barriers and subsidies in developed countries currently impose costs on developing countries that significantly exceed aid flows. Those barriers and subsidies must be eliminated. We recognize the need to ensure an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system that decisively benefits all developing countries and countries with economies in transition, including low-income countries, small island developing States, and landlocked developing countries.

19. The lifting of trade barriers should not be followed by the introduction of new ones — even if these are motivated by commendable objectives. Labour and environmental concerns need to be properly addressed, but should be pursued as separate goals, through the appropriate institutions and forums, so that efforts to achieve trade liberalization and improved labour and environmental standards can be mutually reinforcing.

20. We commit ourselves to deepening all efforts made thus far to ensure that world trade supports development goals, inter alia, by securing full implementation of all commitments made by industrialized countries at the Uruguay Round of multilateral trade negotiations, and by multilateral trade negotiations geared to:

- Strengthening the rules and disciplines of the World Trade Organization, to prevent abuses to the detriment of developing countries, such as abusive anti-dumping measures or technical standards against their exports;
- Liberalizing trade in agricultural products, fully eliminating output and export subsidies in developed countries;
- Reducing tariff peaks which affect developing countries' exports, and eliminating tariff escalation which discourages developing countries from exporting higher value added products;
- Eliminating the trade barriers of developed countries in manufactures, particularly labour-intensive manufactures such as textiles and clothing;
- Revisiting the issue of trade-related intellectual property rights, with a view to promoting the widest availability of knowledge for development without unduly affecting incentives to innovate, taking care, in particular, of the health imperatives of developing countries.

21. Regional and subregional cooperation and integration processes can play a key role in fostering global trade and development, by improving competitiveness and export diversification. We also commit ourselves to enhancing the role of regional and subregional agreements and free trade areas as building blocks in the construction of a better global trading system.

22. To speed up our efforts to ensure full access of developing-country exports to all markets — with no exception but arms, we call on all industrialized countries that have not already done so, to take immediate steps in benefit of the least developed countries, as well as in support of the New African Initiative and the development efforts of all other low-income countries, small island developing States, and landlocked developing countries.

23. We also call on the multilateral financial and development institutions to devise ways and means to stabilize the export revenue of developing countries that still depend heavily on commodity exports, in particular low-income countries, small island developing States, and landlocked developing countries, inter alia, by restoring and improving the International Monetary Fund (IMF) Compensatory Financing Facility scheme, establishing appropriate multilateral commodity risk management mechanisms, and ensuring access to insurance against natural catastrophes.

24. We further call on multilateral and bilateral financial and development institutions to deepen their support, with additional resources, of efforts by developing countries, including low-income countries, small island developing States, and landlocked developing countries, to remove supply-side constraints, improve their trade infrastructure, diversify export capacity, and enhance their participation in multilateral trade negotiations, trade opportunities, and the dispute settlement mechanism.

Increasing international financial cooperation for development

Revitalizing official development assistance

25. Official development assistance (ODA) plays an essential role as a complement to other sources of financing for the development of developing countries, particularly low-income countries, small island development States and landlocked developing countries, where ODA flows continue to represent the bulk of external financing. We underscore the need to substantially increase ODA until it achieves the annual level of 0.7 per cent of industrialized countries' gross national product (GNP), in order to contribute sufficiently to complementing the national development efforts of developing countries. A doubling of ODA, required as a minimum to achieve the multilaterally agreed development goals, should be an urgent priority.

26. We commend the donor countries whose ODA contributions reach or even exceed the target of 0.7 per cent of GNP and urge others to follow their lead.

27. To invigorate the political support required to mobilize more ODA, we request the Secretary-General to launch a global information and advocacy campaign for the millennium goals, with the active involvement of all relevant stakeholders, in particular civil society and altruistic organizations. This campaign should be designed to raise public awareness in developed countries of the urgency of increasing international development assistance, as a vital investment in building a more secure world for all. The campaign should focus also on intermediate targets identified in the context of the implementation of the millennium goals.

28. To improve the participation of ODA recipient countries, as a collective, in forging strong partnerships to enhance the effectiveness of aid in support of their nationally owned development strategies, we call on the United Nations Development Programme (UNDP) to explore ways and means to facilitate the coordination among aid recipient countries so they can act as an effective interlocutor for the Development Assistance Committee of the Organisation of Economic Cooperation and Development and thus become full participants in global aid policy discussions.

29. We call on the multilateral and bilateral financial and development institutions to:

- Give primacy, in their assistance, to development strategies and programmes that are developed and owned by recipient countries;
- Avoid burdensome restrictions such as tied aid;
- Increase the concessionality of development financing, inter alia, through greater use of grants, while ensuring full additionality of resources to prevent the financial burden from falling on developing countries or eroding the lending capacity of multilateral development banks;
- Urgently carry out a major programme to harmonize operational policies and procedures, to reduce transaction costs and to make disbursement and delivery more flexible;
- Develop proposals to give recipient countries greater influence over the design of technical assistance programmes and more control over the use of available resources for these purposes, inter alia, through mechanisms geared to ensure a flexible and unconstrained choice of providers;
- Deepen their efforts to harness triangular cooperation as a delivery tool, through specific mechanisms in support of regional and subregional projects of South-South cooperation.

30. To support the goals above, we invite donor countries to increasingly channel their aid through common-pool mechanisms sustained by reciprocal obligations built around nationally owned development strategies of recipient countries. As a first step, donors should consider immediately applying this common-pool approach in support of the New African Initiative and, within a time frame of 5 to 10 years, in support of all low-income countries, small island developing States, and landlocked developing countries.

Enhancing financing for global public goods

31. We recognize the need to foster a much-enhanced provision of GPGs, such as control of communicable diseases, environmental protection, financial stability, and knowledge for development. As an adequate provision of GPGs is in the interest of all, we agree that their financing should not be at the expense of development assistance, but rather should be additional.

32. For transparency and efficiency, we also agree that GPG financing should increasingly come from the respective budgets of concerned national sector ministries or agencies and, when appropriate and feasible, by multilaterally agreed global mechanisms. To support this objective, we request the World Bank and UNDP, in consultation with relevant stakeholders, to jointly develop proposals for establishing a dual-track accounting system to differentiate ODA for primarily national development purposes from GPG financing, inter alia, in the area of technical assistance for capacity-building.

33. We call on the multilateral and bilateral financial and development institutions to contribute to the strengthening of public-private cooperation for the provision of GPGs, inter alia, through the identification of GPG priority actions for which a concerted effort of coordination and resource mobilization needs to be undertaken, and the use of public financing for GPGs as leverage for private contributions.

Strengthening multilateral development banking

34. Multilateral development banks continue to play an indispensable role in serving the financing requirements of developing countries, including middle-income countries, as well as countries with economies in transition. We shall increase the long-term resources at the disposal of the international financial system, including regional and subregional institutions and funds, to allow them to adequately support long- and medium-term economic and social development, technical assistance for capacity-building, and counter-cyclical macroeconomic policies and social protection schemes.

Innovative sources of multilateral development financing

35. We also recognize the need to explore innovative sources of multilateral finance to support ODA, humanitarian aid, and GPGs.

36. We will examine, among other possibilities, the desirability and feasibility of carbon taxes, currency transactions taxes and the resumption of the issuance of IMF special drawing rights, as well as the strengthening of public-private partnerships in support of development and the possible enhanced role of institutions such as philanthropic foundations. In this regard, we will give careful consideration to the results of the rigorous study commissioned by the Secretary-General to consider possible innovative sources of multilateral finance.

Sustainable debt financing

37. Sustainable debt financing is an important option that countries have for mobilizing resources for public and private investment. It is in the common interest to avoid serious mismatches between financing needs and repayment capacity and maturity of borrowings, as well as excessive debt burdens which divert resources of developing countries and countries with economies in transition from key productive investments and constrain the ability of Governments to finance basic priority expenditures. It is essential to put in place preventive national and international measures, inter alia, through technical assistance, to avoid unsustainable accumulation of public and private debt of low- and middle-income developing countries.

38. Noting the importance of providing financial sustainability for the most highly indebted developing countries, we welcome the bilateral initiatives undertaken by many Governments to reduce outstanding indebtedness and invite further bilateral and multilateral initiatives in this regard.

39. The Highly Indebted Poor Countries (HIPC) Initiative is making additional resources available for development, but a further effort is needed to reduce debt in the HIPC countries to sustainable levels. We call on industrialized countries to expeditiously provide the resources needed for full implementation of the HIPC Initiative, through strictly additional resources and within arrangements that take fully into

account the asymmetries and differentiated responsibilities among creditors.

40. Building on the experience of HIPC II, we also call on IMF and the World Bank to propose further steps to enhance the HIPC Initiative, so that its benefits can be more far-reaching, based on the following criteria:

- Assessment of debt sustainability in terms of each country's capacity to raise the finance needed to achieve the multilaterally agreed development goals;
- Commitment from industrialized countries to provide strictly additional resources, thus preventing the financial burden from falling on developing countries.

41. We further call on IMF and the World Bank to propose policy actions for prompt, comprehensive debt relief to low-income countries, small island developing States, and landlocked developing countries, in the face of natural catastrophes and severe terms-of-trade and capital-account shocks.

Addressing systemic issues

42. We recognize the urgent need to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development. To this end, we underline the importance of reforming the international financial architecture, improving global governance and strengthening the United Nations leadership role.

Reforming the international financial architecture

43. Progress in the reform of the international financial architecture, though significant, falls short of the changes that are needed to ensure the adequate support of development and protection from the effects of crises of the most vulnerable countries and social groups.

44. To promote greater global macroeconomic stability and reduce volatility in the exchange rates of the major currencies, as essential elements of an environment for enhanced and predictable financial flows to developing countries, we call for a strengthened coordination of macroeconomic policies among the leading industrialized countries.

45. The multilateral financial institutions, in particular IMF, should continue to give high priority to preventing crises and strengthening the underpinnings of international financial stability. In this regard, we call on the Fund and relevant regional bodies to deepen efforts to improve their surveillance of all economies, in particular those of the major industrialized countries which have a significant influence on world economic growth and financial stability, and to support the timely detection of external vulnerability by means of well-designed early warning systems. We also call on IMF to continue its contribution to the assessment of the role that controls on speculative capital inflows and outflows may play in crisis prevention and crisis management.

46. We call on multilateral financial institutions, in providing policy advice, supporting adjustment programmes, and requiring the implementation of multilaterally agreed codes and standards, to respect nationally owned paths of reform, and to pay due regard to the special needs and implementing capacities of developing countries, aiming at the best possible outcomes for the peoples in these countries in terms of growth and development, including employment and social protection.

47. We underline the need to ensure that the multilateral financial institutions have adequate resources to provide emergency financing in a timely and accessible manner to countries affected by financial crises, or in danger of contagion, inter alia, through temporary issues of special drawing rights and more proactive Contingency Credit Lines. In this regard, we also underline the need to enhance the stabilizing role of regional and subregional reserve funds, swap arrangements and similar cooperation mechanisms.

48. To further promote fair burden-sharing and prevent moral hazard, we call on the multilateral international financial institutions to support the development of clearer ex ante rules for equitable distribution of the cost of crisis-resolution adjustments between the public and private sectors and among debtors, creditors and investors. Mechanisms for such adjustment include universal bond-holders' collective action clauses, debt standstills in critical circumstances, and voluntary mediation or arbitration.

Improving global governance

49. Many of the issues at the heart of development financing have to do with global economic governance and its shortcomings. To better reflect the growth of interdependence and enhance legitimacy, global economic governance needs to change in two areas: more broadly based decision-making on issues of global concern, and filling organizational gaps. To provide political leadership, as well as to complement and consolidate advances in these two areas, the role of the United Nations must be strengthened.

50. *More participatory decision-making.* We uphold the principle that all members of the international community have an important role to play in economic decision-making and norm-setting. In this regard, broadening and strengthening the representation and participation of developing countries in all global economic decision-making and norm-setting bodies are essential to ensuring the soundness and legitimacy of agreements and their effective and efficient implementation. Increased consultation with civil society and the business sector is also an important component of these efforts.

51. All ad hoc groupings and forums that lack adequate global representation but that, in effect, make policy recommendations with global repercussions, should take decisive steps to strengthen the work and to support the decisions of multilateral institutions that are more representative and that have clearly defined and broad-based intergovernmental mandates, particularly regarding the global political guidance of the United Nations in development and international economic issues.

52. We encourage all relevant international policy-making institutions and forums to deepen their efforts to become more accountable, responsive and transparent to public concerns, as well as to review their composition and consultation mechanisms so as to ensure fuller and broader participation of developing countries.

53. As first steps to more participatory decision-making on global issues, we encourage the following actions, to be taken within the mandates and means of the respective institutions and forums:

- *IMF and the World Bank*: to steadily continue exploring ways and means to enhance the role of developing countries in their decision-making and deliberative bodies, taking into account these countries' real economic and demographic weight as well as the need to enhance the voice of low-income countries;
- *World Trade Organization*: to ensure that any steering group required to facilitate consensus complies with two conditions: (a) maintenance of the rule of decision-making by consensus and (b) representation of the full World Trade Organization membership, based on clear, simple and objective criteria;
- *Bank for International Settlements, Basel Committee, and Financial Stability Forum*: to enhance their outreach and consultation efforts with developing countries at the regional level and to review their membership to allow for adequate participation of developing countries;
- *Ad hoc groups such as G-20*: to strengthen the work and to support the decisions of multilateral institutions, particularly the United Nations system, as well as to broaden their membership to allow for more adequate participation of developing countries;
- *Ad hoc groups such as G-8 and G-15*: to strengthen the work and to support the decisions of multilateral institutions, particularly the United Nations system.

54. *Filling organizational gaps.* In the interest of increased and more equitable world economic growth, social development, and environmental protection, several gaps in global governance need to be addressed. To this end, we shall:

- Actively pursue a higher level of coordination of the multilateral financial and development institutions, that mobilizes all relevant stakeholders, public and private, in support of an enhanced provision of GPGs;
- Strengthen the World Trade Organization, inter alia, by enhancing its focus on the priorities of development, and upgrading its institutional relationship with the United Nations to a level similar to the one already established among IMF, the World Bank and the United Nations;
- Provide the International Labour Organization with instruments to enforce its agreed standards;

- Strengthen international cooperation to optimize collectively the benefits of the movement of labour across national borders, including exploring the benefits of an international agreement on the movement of natural persons;
- Give careful consideration at the World Summit on Sustainable Development to improving the coordination of the multilateral environmental institutions in support of growth and equitable development;
- Strengthen the coordination of the multilateral financial and development institutions to more decisively mainstream gender into economic and development policies;
- Explore, inter alia, through a global network of tax authorities, the potential benefits and optimal design of an international tax organization or other tax cooperation forum, taking into account previous efforts in this regard as well as the special needs of developing countries and countries with economies in transition;
- Promote the role of the United Nations regional commissions and the regional development banks in supporting the reform of the international financial system, as well as in supporting policy dialogue arrangements among peers on macroeconomic and development issues.

Strengthening the role of the United Nations

55. We attach the highest priority to the reinvigoration, as an indispensable complement to and reinforcement of these steps, of the United Nations as the fundamental pillar for the promotion of the international cooperation needed to make globalization work for all.

56. We reaffirm our commitment to enabling the General Assembly to maintain effectively its central position as the chief deliberative, policy-making and representative organ of the United Nations and to strengthening further the Economic and Social Council to help it fulfil the role ascribed to it in the Charter of the United Nations.

57. We also commit ourselves to ensuring greater policy coherence and better cooperation among the United Nations, its agencies, the Bretton Woods institutions and the World Trade Organization, as well as other multilateral bodies. The goal is to achieve a coordinated approach to the provision of GPGs and the consolidation of a stronger, stable international financial system fully responsive to the requirements of growth and equitable development worldwide.

58. To address decisively the global economic governance deficit, we decide to launch open-ended consultations of the General Assembly, with the support of all relevant stakeholders, to explore how to set up, under the aegis of the United Nations, a world economic body at the highest political level. The role of such a body would be to provide a long-term strategic policy framework to promote economic and social development, to secure consistency in the policy goals of the major international organizations, and to provide political leadership to enhance the coherence and consistency of the international monetary, financial, and trading systems in support of development. The body should be large enough to be representative but small enough to be efficient.

59. To support the General Assembly consultations on this proposal, we request the Secretary-General to encourage public discussions on the issue and to establish a group of eminent persons with the mandate to propose options and recommendations. The results of such consultations should be submitted to the Assembly as soon as possible but not later than the end of its fifty-eighth session.

III. Staying engaged

60. To build a global alliance for financing for development will require an unremitting effort. We thus commit to keeping ourselves fully engaged, both to ensure proper follow-up and implementation of the agreements and commitments sealed at this Conference, and to continue our collective search for mutually beneficial constructive steps.

61. To this end, we shall meet again in 2005, as an open-ended intergovernmental Forum at the level of the highest economic authorities, to fulfil the following mandates:

- To take stock of progress on the implementation of the decisions reached in this Conference, and to take appropriate decisions on any corresponding actions in this regard;
- To continue building bridges between development and finance and trade deliberations

and initiatives, within the framework of the holistic agenda of this Conference.

The 2005 Forum should be held under the auspices of the General Assembly, and actively involve all stakeholders associated with the 2002 Conference.

62. The Forum will continue to meet as deemed necessary, until its responsibilities can be transferred to the world economic body referred to in paragraph 58 above.

63. To carry on the preparatory work of the Forum and its successor body, we have also decided:

- To establish a mechanism for substantive engagement among the Economic and Social Council, the Bretton Woods institutions, and the World Trade Organization, focused on supporting the implementation and follow-up of the results of this Conference. The arrangements would build on the experience of the Council-Bretton Woods institutions annual dialogue and other complementary interactions;
- To request the Secretary-General to provide, with collaboration from the secretariats of the major institutional stakeholders concerned, all necessary support to the implementation of the agreements and commitments sealed at this Conference.

Notes

[1] See General Assembly resolution 55/2.

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Update on activities planned or undertaken in the respective areas pursuant to General Assembly resolution 55/245 B

Note by the Secretary-General

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I. Introduction

1. In its resolution 55/245 B of 25 July 2001, the General Assembly requested the Financing for Development Coordinating secretariat to monitor and report on various activities being carried out in the context of the preparations for the International Conference on Financing for Development, including the launch of a global public awareness campaign, concrete initiatives considered by various stakeholders in support of the process and the Conference, and the development of a programme of work with the business sector, covering the period from May 2001 to the Conference.

2. The present note provides an update on activities planned or undertaken in the respective areas pursuant to General Assembly resolution 55/245 B. More detailed information may be found on the financing for development web site, http://www.un.org/ffd.

II. Global public awareness campaign

3. In keeping with the request to the Secretary-General to promote public awareness on financing for development, the Department of Public Information of the United Nations Secretariat has developed a comprehensive communication plan for the global awareness campaign covering the critical period following the October 2001 resumed third session of the Preparatory Committee for the Conference, and through to the Conference itself and its follow-up. The plan focuses on outreach to four key sectors: experts and policy makers; civil society; the business community and financial press; and the mass media.

4. Since May, a design motif for publicity materials and a glossy brochure highlighting the six main agenda items have been produced, and the web site for the Conference is being revamped. The brochure has been distributed through information centres worldwide. A press kit and audio-visual as well as additional printed materials will be produced before the end of the calendar year, and a task force of information officers from United Nations organizations and the Bretton Woods institutions will be established. The close involvement of United Nations information centres and regional commissions in promotion of financing for development issues will be continued.

5. In addition, international publicity for the issues on the Conference agenda was obtained by an extensive global publicity campaign for the launch of the report of the High-Level Panel on Financing for Development (see A/55/1000), chaired by former Mexican President Ernesto Zedillo. Efforts are ongoing through the press and other media to better acquaint policy makers and the wider public with the thrust and content of the report.

III. Concrete initiatives by Governments and other relevant stakeholders

A. Governments

6. A growing number of Governments have exhibited a greater awareness of and interest in the financing for development process as well as a willingness to involve their finance ministries and central banks in forthcoming sessions of the Preparatory Committee. Several Governments have taken initiatives to organize coordinating meetings on financing for development, involving various ministries/departments. Some have taken steps to broaden their outreach and dialogue with domestic civil society and business representatives, inter alia, through national seminars.

7. The intergovernmental Group of 24 organized a workshop on financing for development on 6 and 7 September 2001. A report emanating from the workshop is expected to be made available to delegations.

B. Major institutional stakeholders

8. The Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF) on the Transfer of Real Resources to Developing Countries (Development Committee) was scheduled to consider financing for development as a main item on the agenda of its September 2001 meeting, which has had to be postponed. The report prepared jointly by the staffs of the Bank and the Fund was considered by the Boards of both institutions and has now been issued as a Development Committee paper. It is still possible that the Development Committee will be able to discuss this

paper before the fourth session of the Preparatory Committee and could then issue a communiqué, outlining its views on several issues pertinent to the financing for development agenda.

9. Following the meetings of the Bureau of the Preparatory Committee with the Board of Executive Directors of the World Bank in March 2000 and February 2001 and its meeting with the IMF Executive Board in February 2001, it was agreed that a further meeting with each of the Boards would be desirable in advance of the Conference. It is expected that such meetings will take place prior to the fourth session of the Preparatory Committee.

10. The United Nations Conference on Trade and Development (UNCTAD) has planned a series of activities in the lead-up to the Conference (see annex I). The Trade and Development Board will discuss the reform of the international financial architecture at its next session in October 2001. UNCTAD also plans to hold a two-day seminar on market access in January 2002. The realization of some of the activities identified will depend on the availability of funding.

11. The United Nations Development Programme (UNDP) is working on a number of initiatives at the global, regional and national levels to support preparations for the International Conference on Financing for Development. At the global level, UNDP is pursuing its activities on global public goods, inter alia, as regards possible new and additional sources and arrangements of funding. A series of publications and further discussion in the context of the financing for development process are expected in the last quarter of 2001. In this regard, UNDP, with the support of the Government of France, will host a special event on "Financing Global Public Goods" on 16 October 2001 at United Nations Headquarters. UNDP also aims to hold a High-level Consultation on Financing for Development in January 2002 with a view to identifying resource and capacity-building needs of developing countries, in respect of meeting the millennium development goals.

12. At the regional level, UNDP has developed with the Economic Commission for Latin America and the Caribbean (ECLAC) a project for the support of regional consultations in Latin America and the Caribbean to be held at ECLAC headquarters in Santiago, Chile, in November 2001. At the national level, UNDP country offices are supporting multi-stakeholder meetings to assist in the development of national positions on issues and recommendations before the Conference.

C. Other United Nations system institutions

13. The Food and Agriculture Organization of the United Nations (FAO), in collaboration with the World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD), is in the process of organizing an event on "Financing for Alleviation of Poverty and Food Insecurity" in the context of the financing for development process. It is expected that traditional and innovative mechanisms of financing will be explored. The timing of this event will be announced in due course.

14. IFAD intends to make a contribution to the International Conference on Financing for Development centred around an in-depth analysis of the topic of "Financing for Rural Development". IFAD will structure the discussion of its upcoming Governing Council to address this theme in February 2002. The process will culminate in the development of a comprehensive policy paper on the subject of financing for rural development that will be presented by IFAD at the March 2002 Conference. IFAD hopes that this paper will build on the success of its *Rural Poverty Report, 2001: The Challenge of Ending Rural Poverty* (available at http://www.ifad.org/poverty/ch.cont.pdf (New York, Oxford University Press, 2001)), through increasing awareness of the rural sector and the needs of the rural poor.

15. The United Nations Development Fund for Women (UNIFEM) sponsored a seminar organized by Red de Educación Popular entre Mujeres (REPEM) and the Development Alternatives with Women for a New Era (DAWN) on "Financing for development: new trends, new forms of exclusion and strategies for the women in the region". The seminar was held in Cartagena de Indias, Colombia, from 15 to 17 July 2001.

D. Regional commissions and other intergovernmental bodies

16. A joint meeting of the regional commissions on financing for development will be held in Mexico City

from 14 to 15 January 2002 with the aim of arriving at an interregional perspective on various issues on the agenda. The meeting will further review selected key policy recommendations emanating from the regional consultations held in 2000 and examined in depth at the regional expert meetings scheduled for 2001.

17. In addition to the proposed joint meeting, individual regional commissions are undertaking or have planned a set of activities related to the financing for development preparatory process. The Economic Commission for Africa (ECA) is organizing a second regional meeting in Africa to be held on 26 and 27 November 2001 in Nairobi, Kenya. The meeting is expected to undertake a deeper analysis of key issues of interest to Africa coming out of the first regional meeting held in November 2000 in Addis Ababa, and to elaborate a number of concrete measures and proposals for action.

18. The Economic and Social Commission for Asia and the Pacific (ESCAP), in conjunction with the Asian Development Bank, is organizing a Workshop on Mobilizing Domestic Finance for Development: Reassessment of Bank Finance and Debt Markets in Asia and the Pacific. The Workshop, tentatively scheduled for 22 and 23 November 2001, will discuss from an ESCAP perspective: (a) post-crisis bottlenecks in the bank lending for development projects in the region, (b) developing/strengthening bond markets to diversify long-term development finance and (c) financing for microenterprises, small and medium-sized businesses and poor households.

19. The Economic Commission for Europe (ECE), in collaboration with the European Bank for Reconstruction and Development, is organizing a one-day expert meeting on 3 December 2001 in Geneva. The meeting will look at ways of enhancing the benefits of foreign direct investment (FDI) and improving the flow of corporate finance in the transition economies. It is expected to formulate a set of concrete policy recommendations in this regard.

20. ECLAC organized a first Latin American Colloquium on Development Banks in August 2001. The colloquium took place at ECLAC headquarters in Santiago, Chile. The Commission is also planning a regional experts meeting on financing for development to be held in November 2001 in Santiago. The aim is to prepare a set of technical recommendations in the areas of emergency financial support, private participation and the provision of external liquidity, financial regulation and supervision for the promotion of external stability, the role of regional and subregional financial institutions in the prevention of crises in the external sector, and multilateral development banks and the promotion of access to large-scale external financing. Recommendations and proposals developed at this meeting will be distributed to Governments of the region with the aim of supporting proposals to the International Conference on Financing for Development.

21. The Economic and Social Commission for Western Asia (ESCWA) organized a round-table meeting on 7 June 2001 to discuss the Secretary-General's report to the Preparatory Committee for the Conference (A/AC.257/12) and to suggest preparations to be made by ESCWA for the Conference. This was followed by an expert panel held on 6 July 2001 to discuss the findings of the June meeting and to agree on issues to be dealt with in working papers within the framework of financing for development. Among the issues agreed on were those pertaining to Arab banking and financial systems; microfinance; debt; investment; and trade. Subsequently, a regional meeting on financing for development was held in Beirut from 11 to 13 September 2001. The meeting was attended by representatives of regional banks, chambers of commerce and industry, academics, governmental officials and representatives of the private sector.

E. Civil society

22. The Financing for Development Coordinating secretariat, in cooperation with the United Nations Non-Governmental Liaison Service, disseminated, through newsletters, direct mailing, Internet and emails to over 10,000 civil society organizations and networks, the text of General Assembly resolution 55/245 B, paragraphs 8 and 9, and invited them to report on concrete initiatives carried out in support of the financing for development preparatory process and the Conference, within the framework of its substantive agenda.

23. The compilation reflected in annex II is based on the reports received and is not exhaustive. It is organized by activities carried out or planned by organizations/networks, considering the period from May 2001 to March 2002 as the time frame. More details on the information submitted by civil society

organizations will be made available on the Internet at http://www.un.org/ffd.

IV. Programme of work for the business sector

24. As required by the General Assembly in its resolution 55/245 B, the Financing for Development Coordinating secretariat is assisting the efforts of the business sector to set in motion a programme of activities organized by various interlocutors in the lead-up to the Conference in March 2002. Annex III provides a tentative timetable of these activities. The secretariat will continue to assist and advise in the implementation of these activities as well as monitor their outcomes. In addition to the activities mentioned in annex III, it may be noted that consideration is being given to the possible incorporation of financing for development in the agenda of the World Economic Forum annual meeting to be held at Davos, Switzerland, in January/February 2002.

25. Both directly and through the various interlocutors, the secretariat has also encouraged business sector entities to seek accreditation to the financing for development process in order to be able to participate in the forthcoming Preparatory Committee meetings in October 2001 and January 2002 as well as in the Conference in March 2002.

V. Other preparatory activities

26. The different departments of the secretariat involved in the organization of the Conference undertook a planning mission to Monterrey from 30 July to 2 August 2001, visited the proposed Conference site and other local facilities, and held discussions with Mexican authorities on preparations for the Conference. It is expected that the host country agreement between the United Nations and the Mexican Government will soon be signed.

Annex I

Activities of the United Nations Conference on Trade and Development (UNCTAD)

Date and venue	*Title of event and outcome*	*Web page*	*Financing for development theme(s)*
6 and 7 September 2001, New York	Presentation at the Intergovernmental Group of 24 (G-24) workshop on financing for development		All themes
27 September 2001, New York	Briefing of G-77 on UNCTAD's *World Investment Report, 2001* (United Nations publication, Sales No. E.01.II.D.12) (promoting backward linkages) and activities to promote long-term private flows, especially FDI, in relation to the recommendations in the report of the Secretary-General (A/AC.257/12) of 18 December 2000 to the Preparatory Committee for the Conference at its second substantive session on measures and policies to maximize the development impact of FDI	http://www.unctad.org Publications and documents: UNCTAD/WIR/2001	2 and 6
1 and 2 October 2001, Geneva	Trade and Development Board (forty-eighth session): agenda item 3: Reform of the international financial architecture	http://www.unctad.org See Trade and Development Board agenda (TD/8/48/1) Publications and documents: *Trade and Development Report, 2001* (United Nations publication, Sales No. E.01.II.D.10) (UNCTAD/TDR(2001)), part two entitled "Reform of the international financial architecture"; press release TAD/INF/PR12	All themes
January 2002, New York	Two-day seminar on market access (tentative dates, 21 and 22 January 2002)	http://www.unctad.org	3 and 6
Late 2001, New York	Two-day seminar on key issues emerging in preparatory process of financing for development of interest to Preparatory Committee members Nota bene: subject to availability of resources	http://www.unctad.org	All themes
March 2002, Monterrey	UNCTAD/International Chamber of Commerce (ICC) Forum on FDI and development Nota bene: subject to availability of resources	http://www.unctad.org	2 and 6

Annex II

Civil society initiatives reported in the context of financing for development

Civil society initiatives have been reported as follows:

- In May 2001, a Mexican NGO Organizing Forum was created, consisting of six Mexican civil society networks representing multiple national and international organizations, supported by an International Steering Committee consisting of 10 diverse thematic international networks participating in the financing for development process. The Mexican NGO Organizing Forum, in consultation with the International Steering Committee and other international networks, decided to organize in Monterrey, a week prior to the International Conference on Financing for Development, an NGO Forum of the International Conference on Financing for Development (final dates and location are yet to be finalized by the Organizing Committee and the Mexican Government). The NGO Forum will have a thematic structure based on the agenda of the official Conference, including intersections with other themes such as gender, environment, labour, and economic and social rights. Email: pueblodip@laneta.apc.org *or* alcadeco@infosel.net.mx;

- Quaker United Nations Office (QUNO), actively involved in the financing for development process since its inception, organized a colloquium (Mohonk Mountain, New Paltz, New York, 17-19 June 2001) that brought together representatives of the official stakeholders, Governments, the United Nations Secretariat and civil society to discuss substantive elements and potential outcomes of the Conference;

- Institute for Development Studies, Oxford, United Kingdom of Great Britain and Northern Ireland, held a brainstorming meeting in London (10 July 2001) among the British private sector, public sector and academics to highlight those issues that they think should be key for the financing for development process;

- Reality of Aid Asia Network and the Asia Pacific Research Network (APRN) organized a conference on "Official development aid in Asia" (Manila, Philippines, 18-20 July 2001). Web page: http://www.aprnet.org;

- Friedrich-Ebert-Stiftung (FES), actively involved in the financing for development process since its inception, organized in cooperation with the NGO working group on financing for development a forum on "Financial stability in the global economy" (New York, 7 September 2001). Email: fesny@fesny.org;

- Danish United Nations Association in cooperation with Kvindernes U-landsudvalg (KULU-Women and Development), Ibis and the Danish Association for International Cooperation (Mallemfolkeligt Samvirke (MS)) is holding a Nordic Conference (Copenhagen, 5 October 2001) on "New goals for global governance". The Danish United Nations Association launched a dedicated web page on financing for development at: http://www.una.dk/ffd/;

- Action for Economic Reforms, Social Watch, Freedom from Debt Coalition, Development Alternatives with Women for a New Era (DAWN)-Philippines, Human Development Network in collaboration with the Government of the Philippines and the UNDP Country Office have convened and agreed to form a working group in preparation for the International Conference on Financing for Development. The working group, composed of senior government officials and civil society representatives, is organizing a series of seminars and related activities, culminating in a conference that will finalize and approve the Philippine Government-NGO position on financing for development. The most recent meeting was held from 13 to 15 August 2001 on "civil society agenda-building" (Diliman, Quezon City, Philippines). Civil society representatives presented and discussed different papers relating to financing for development, towards forming the basis of a common NGO position, and discussed it with government officials, with the objective of identifying common strategies. The series of NGO-government meetings will begin in end-September, with follow-through meetings scheduled in November and December. Email: filomenoiii@yahoo.com *or* aer@pacific.net.ph;

- KULU-Women and Development, Denmark (a non-partisan umbrella non-governmental organization including 26 women's organizations and groups, 2 local organizations and an individual membership based in Denmark) is organizing the following conferences/seminars: "Women in the global economy: financing for development — investing in women" (Danish Parliament, Copenhagen, 25 October 2001); "Does trade produce development for women?" (27 October 2001); "Gender budgeting" (January 2002). Email: kulu@kulu.dk; web site: http://www.kulu.dk;

- International Cooperation for Development and Solidarity (CIDSE) is an international coalition of 14 Catholic development organizations based in Belgium, working together with organizations and partners in the South and North. CIDSE and the Caritas Internationalis (CI) Task Group on Social Justice, in addition to regular updates to its members and strategic partners such as international Catholic organizations and partner organizations in the South, planned the following activities: meeting with Mats Karlsson, Vice-President of the World Bank (Brussels, 17 May 2001); seminar with CIDSE-CI Southern partners: "From the Third United Nations Conference on the Least Developed Countries to the Financing for Development Conference in Mexico" (Brussels, 18 May 2001); meeting of a representative of the Mexican NGO Organizing Forum and Belgian NGOs and European networks based in Brussels to discuss the coordination of European NGO activities on financing for development (Brussels, 2 July 2001). Furthermore, CIDSE facilitated the meeting among the Financing for Development Coordinating secretariat and European networks based in Brussels, CIDSE member organizations and Belgian NGOs on the status of the financing for development process and on debt (CIDSE secretariat, Brussels, 12 July 2001); and also the meeting among the Financing for Development Coordinating secretariat and the Swiss NGOs, the Swiss CIDSE member Fastenopfer, the World Council of Churches and Southern NGOs on the status of the financing for development process and on debt (Geneva, 13 July 2001). Future activities include two lunchtime discussions: one on "a poverty-focused approach to debt sustainability analysis" and the other on the "currency transaction tax (CTT)" during the resumed third session of the Preparatory Committee for the Conference; and the preparation of position papers to be used as a basis for advocacy and lobby work. Web page: http://www.cidse.org/en/index.html;

- CIDSE members at the national level have carried out or are organizing a series of meetings, public hearings, reports and other activities in support of the financing for development process. These activities cover a variety of issues, including those related to official development assistance (ODA), debt relief, conditionality, women and financing for development, and currency transaction taxes. National CIDSE members have reported on their respective activities in Belgium, France, Germany, Italy, the Netherlands and Switzerland. Details may be found on the financing for development web site: http://www.un.org/ffd;

- The Development Policy Forum of the German Foundation for International Development is organizing an international policy dialogue on "Financial Sector Reforms in Response to Globalization" in Berlin on 1 and 2 November 2001. This event — co-sponsored by the German Federal Government — will draw an important group of policy makers and opinion leaders from Governments, multilateral and international organizations, civil society organizations and the private sector in all regions of the world;

- The Carter Center's "Global Development Initiative" is convening a Development Cooperation Forum, to be held on 21 and 22 February 2002 in Atlanta, Georgia, to address topics of development cooperation, progress on the international development goals and the need for adequate resources to meet development targets. The Forum will be chaired by former President of the United States of America Jimmy Carter and will involve leading development thinkers and practitioners from the United Nations, the international financial institutions, developing countries, bilateral donors, NGOs, academia, the media and the private sector.

Annex III

Tentative timetable of business sector activities in the financing for development process

A. Activities organized by core interlocutors: World Economic Forum, International Chamber of Commerce and Business Council for the United Nations

Activities as follows:

1. 6 to 8 June 2001: World Economic Forum Regional Meeting. Southern Africa Economic Summit in Durban.

2. September 2001 to February 2002: five round-table meetings organized by Business Council for the United Nations in New York and Washington, D.C. Will cover a range of themes including enhancing financial stability and systems, attracting private capital to developing countries, international taxation and harmonizing business and development objectives. Dates for the first four round tables are 6 September (New York), 11 October (New York), 12 November (Washington, D.C.) and 12 December (New York). These meetings will bring together senior representatives from private corporations (including Wall Street), international organizations and Governments.

3. October/November 2001: regional meetings of the International Chamber of Commerce incorporating financing for development themes. Regional meeting for Africa will take place on 25 and 26 October in Accra, Ghana; the meeting for South Asia will take place on 11 and 12 November in Karachi, Pakistan (with a special focus on FDI); and the meeting for Latin America will take place on 29 and 30 November in Caracas, Venezuela.

4. October/November 2001: regional meetings of the World Economic Forum incorporating financing for development themes. The East Asia Economic Summit will take place in Hong Kong Special Administrative Region of China from 29 to 31 October 2001. The South Asia Economic Summit will take place in New Delhi, India, from 2 to 4 December 2001.

5. Joint workshop organized by the World Economic Forum and the Departement des finances, République et Canton de Genève. Focuses on whether there is a role for a Tobin tax in the new international financial architecture.

6. March 2002: business forum organized jointly by the International Chamber of Commerce, the Business Council for the United Nations and (possibly) the World Economic Forum. To take place in Monterrey, Mexico, in conjunction with the International Conference on Financing for Development.

B. Other key activities

Activities as follows:

1. 29 May 2001: meeting organized by Money Matters Institute in Boston. Focusing on priorities of foreign and domestic financial services in emerging markets and on key public issues such as domestic capital formation, pension fund privatization, corruption and transparency.

2. 16 July 2001: African Forum for Investment Promotion. Meeting in Geneva.

3. July to September 2001: research project headed by Samuels Associates on the issue of "Improving the quality of information and analysis so as to strengthen decision-making and risk management by international investors and policy makers". Expert group meeting will take place in October/November 2001 and the final findings will be presented to delegates at the United Nations.

4. October 2001: meeting in New York organized by the Social Investment Forum and the International Confederation of Free Trade Unions dealing with investment oriented towards social goals.

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15-19 October 2001
Agenda item 2
Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development

Technical notes

Note by the Secretary-General

1. The Preparatory Committee for the International Conference on Financing for Development held the first part of its third session in New York from 2 to 8 May 2001. On 8 May, at its 4th meeting, the Preparatory Committee requested the Financing for Development Coordinating secretariat to prepare a series of "technical notes" related to issues falling under the substantive agenda for the Conference, on the understanding that such reference notes were to consist of the factual, concise listing of existing proposals in a given topic, and were not to contain any analysis, comparisons, judgements or recommendations. The Bureau of the Preparatory Committee was entrusted with drawing up criteria for the selection of the topics and was to finalize the list. At its meeting on 15 June, after consulting with members of the Preparatory Committee, the Bureau delivered to the Coordinating secretariat the following list:

1. Existing proposals for enhanced international cooperation on tax matters.
2. Existing proposals for international cooperation to combat corruption, including repatriation of illegally transferred funds to the countries of origin.
3. Existing proposals for innovative sources of finance.
4. Existing proposals to promote the increased and more effective participation of developing countries in the trade and financial decision-making processes.
5. Existing proposals for improved or new processes for coordinated debt restructuring (prevention and treatment of debt problems) in order to sustain growth and support economic and social development.
6. Existing proposals to increase market access to exports of developing countries.
7. Existing proposals on bilateral and multilateral investment agreements and practices towards codes of conduct on transnational corporations and Governments with respect to foreign direct investment.
8. Existing proposals on financial crisis prevention, including operation of early warning systems and transparent and predictable international financial markets.

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9. Existing proposals to ensure availability of sufficient international liquidity in order, inter alia, to avoid unnecessarily recessive adjustment processes.

10. Existing proposals on strategies for expanding access to microcredit and for assisting current microcredit beneficiaries in gaining access to the formal domestic banking sector.

2. The corresponding technical notes have been put together by the Coordinating secretariat in close collaboration with, and with the generous assistance of, staff from various institutions and other relevant stakeholders engaged in the financing for development process. They are presented as individual addenda to the present note.

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Technical notes

Note by the Secretary-General

Addendum

Technical note No. 1:* Existing proposals for enhanced international cooperation in tax matters

I. Introduction

1. Growing international economic and financial interdependence has increased the cross-border spillover effects of taxation and constrained the capacity of national tax authorities to establish and enforce various tax instruments. Governments are increasingly limited in setting both the forms and rates of tax; at the same time, tax avoidance and tax evasion are on the increase. These developments may make it more difficult for Governments to finance public expenditures and constrain the financing options of the Governments of those countries faced with inflexible spending obligations and limited sources of revenue. Therefore, there is a growing need for improved international cooperation among tax authorities to address these issues. Such a cooperative effort will also have to address constraints to the capacity of tax administrations in developing countries to raise revenue in an effective manner.

2. There are at present several international forums that address certain aspects of international cooperation in taxation from the perspective of their members. The table in the annex to the present note provides an overview of the geographical coverage, scope and work methods of each of these organizations. Some of these forums are global in their reach; others are regional; a few cover a limited range of countries. In some cases, taxation is only one of the issues discussed; in others, the only focus is on taxation. Most are governmental

* The preparation of technical note No. 1 was coordinated by the Department of Economic and Social Affairs of the United Nations Secretariat. Staff from the following collaborated, in a personal capacity, in its preparation: the Inter-American Center of Tax Administrations, the International Monetary Fund, the Organisation for Economic Cooperation and Development and the World Bank, as well as the aforementioned Department of Economic and Social Affairs.

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organizations, although there are two non-governmental organizations that play a significant role in the tax area. The global and regional organizations tend to focus on both direct and indirect taxes and on domestic and international tax issues. Some are more oriented towards tax administration issues; others cover both tax policy and tax administration. Also, expert groups address issues of taxation in United Nations forums, notably the Ad Hoc Group of Experts on International Cooperation in Tax Matters of the Economic and Social Council, and the expert groups on accounting and other related matters convened by the United Nations Conference on Trade and Development. There is, however, no global intergovernmental forum for the consideration of tax policy and administrative issues and international cooperation in tax matters in all its aspects.

3. Existing proposals for enhanced international cooperation in tax matters presented at intergovernmental forums or other international forums are outlined below in chronological order, with reference to the relevant document in the title. The present note covers proposals on tax cooperation ranging in scope from new organizations or new institutions, including new rules or regulations, to new mechanisms that build on existing organizations and institutions. Excluded from the note are most initiatives of regional organizations that are not relevant to non-members.

II. Existing proposals

A. International tax organization (United Nations, 2001, pp. 9, 27-28, 65-66)

4. The High-level Panel on Financing for Development proposed the consideration of an international tax organization, which could:

(a) Compile statistics, identify trends and problems, present reports, offer technical assistance and provide a forum for the development of international norms for tax policy and administration;

(b) Maintain surveillance of tax developments in the same way that the International Monetary Fund (IMF) maintains surveillance of macroeconomic policies;

(c) Take a lead role in restraining tax competition designed to attract multinationals with excessive and unwise incentives;

(d) Develop procedures for arbitration when frictions develop between countries on tax questions;

(e) Sponsor a mechanism for multilateral sharing of tax information, such as that already in place within the Organisation for Economic Cooperation and Development (OECD), so as to curb the scope for evasion of taxes on investment income earned abroad;

(f) Develop and secure international agreement on a formula for the unitary taxation of multinationals;

(g) Develop, negotiate and operate international arrangements for the taxation of emigrants, enhancing the possibility for countries to tax citizens on worldwide income.

(In this context, see also Tanzi (1996; 1999, pp. 173-186)).

B. Steering group/council of international tax organizations (Commonwealth Association of Tax Administrators and others, 2001)

5. In June 2001, the secretaries general/heads of five organizations proposed, at a meeting held at Montreal, Canada, the creation of a steering group/council of international tax organizations, the membership of which would initially consist of the secretariats of the organizations. The five organizations concerned are: the Commonwealth Association of Tax Administrators, the Inter-American Center of Tax Administrations, the Centre de rencontres et d'études des dirigeants des administrations fiscales, the Intra-European Organisation of Tax Administrations and OECD. The group would be serviced by a small secretariat provided by Canada. Its first meeting will be held at Seville, Spain, in October 2001. The group will also seek to develop links with other regional or international tax organizations. Its primary functions in the short term would be to develop best practice in tax administrations and taxpayer service using, for example, the Forum on Strategic Management Knowledge Exchange (see http://www.FSMKE.org), which OECD is in the process of developing, as well as the coordination of technical assistance work.

C. International organization or forum for cooperation in tax matters or strengthening of the Ad Hoc Group of Experts on International Cooperation in Tax Matters (United Nations, 2000c, para. 142; Disney, 2000)

6. In the report submitted to the Preparatory Committee for the International Conference on Financing for Development at its second substantive session, the Secretary-General recommended the formation of an international organization or forum for cooperation in tax matters, into which the various existing international tax-related efforts would be merged into a single entity. It could provide a global forum for the discussion of, and cooperation in, tax matters, including:

(a) Sharing of national taxation experience;

(b) Development of definitions, standards and norms for tax policy and administration and other aspects of taxation;

(c) Identification of national tax trends and problems;

(d) Tax reporting;

(e) Provision of technical assistance to national tax authorities, in particular those of developing countries and countries in economic transition.

The report also noted less ambitious proposals that have been put forward, including the strengthening of the Ad Hoc Group of Experts on International Cooperation in Tax Matters.

7. The report recommended that the International Conference on Financing for Development mandate a careful in-depth study, undertaken in cooperation with IMF and other relevant international financial institutions, of potential means for enhancing tax-related international cooperation, including mandating a specific negotiating process on international agreements on this subject and the possibility of establishing an international organization or forum for cooperation in tax matters.

8. The creation of an international tax forum under United Nations auspices was also proposed by the International Council on Social Welfare (ICSW) at the financing for development hearings with civil society, on 7 November 2000 (Disney, 2000). Additional functions envisaged for this forum include research and the arbitration of disputes. ICSW also proposed the strengthening of the Economic and Social Council in the area of tax cooperation, including through its existing expert taxation committee and through the convening of a major global conference on taxation and development (Disney, 2000; 2001, pp. 159-167). In particular, ICSW recommended the establishment of a special working group on international cooperation in tax reform, of about 25 members comprising approximately equal representation of the most economically powerful countries, the most populous countries and representatives of other countries chosen on a regional basis.

D. Technical assistance (United Nations, 2000c, paras. 30-33)

9. The report of the Secretary-General to the Preparatory Committee contained several recommendations regarding assistance to countries to improve the management of fiscal resources, enhance tax administration and combat tax evasion. The report specifically refers to assistance provided by developed countries and to South-South cooperation. In effect, these proposals also enhance international cooperation in tax matters. The report recommends that:

(a) International institutions should be ready to assist countries in developing medium-term fiscal frameworks and all donor partners should take that into account in providing assistance to those countries;

(b) Developed countries and international institutions should provide increasing support, especially in terms of resources for technical assistance in capacity-building, to developing countries and those in economic transition that strive to simplify tax laws and to improve the efficiency and effectiveness of tax administration and enhance enforcement through the strengthening of institutional, technical and technological capacities, including the development of a transparent, accountable and corruption-free system;

(c) International institutions should provide assistance to developing countries and countries in economic transition that undertake administrative and legislative measures to combat tax evasion and prevent tax avoidance, particularly to facilitate South-South cooperation.

E. International action pertaining to taxation to promote the mobilization of new and additional resources for social development (United Nations, 2000b, para. 142)

10. At its twenty-fourth special session, the General Assembly adopted proposals for the implementation of the commitments made at the World Summit for Social Development. Initiatives to implement commitment 9 of the World Summit included the promotion, through international action, of the mobilization of new and additional resources for social development, inter alia, by developing appropriate means of international cooperation in tax matters, exploring methods for dividing the liability of multinational corporations to pay taxes on profits among the various jurisdictions in which they operate, exploring ways to combat the use of tax shelters and tax havens that undermine national tax systems, and preventing tax avoidance and promoting treaties for avoiding double taxation.

F. International agreement on a formula to divide corporate income among jurisdictions (United Nations, 2000, p. 5)

11. The document for the Ad Hoc Expert Group Meeting on Strategies for Improving Resource Mobilization in Developing Countries and Countries with Economies in Transition, convened by the United Nations in cooperation with Association de planification fiscale et financière at Montreal, Canada, from 2 to 6 October 2000, recommended an international agreement on the allocation of corporate and other enterprise income among jurisdictions according to an internationally agreed formula that relied as far as possible on objectively verifiable indicators, such as proportions of workforce, wage bill, or capital assets, in various countries. See also the report of the meeting (United Nations, 2001c, para. 16). The General Assembly, in resolution S-24/2, also suggested that such an agreement should be explored (United Nations, 2000b, annex, para. 142). The merits and limitations of various allocation methods are analysed by Mintz (1998).

G. International agreement on uniform rates of source withholding taxes on interest, dividends, royalties and management fees (United Nations, 2000, p. 5; Disney, 2000)

12. The above-mentioned document for the Ad Hoc Expert Group Meeting on Strategies for Improving Resource Mobilization in Developing Countries and Countries with Economies in Transition also recommends an international agreement on a set of uniform rates for withholding taxes on interest, dividends, royalties and management fees, if these payments are to cross inter-jurisdictional borders. These taxes would be collected unilaterally. There might or might not at the same time be conventions providing for the transfer of some of the withholding tax so collected to the relevant country of residence of each taxpayer. See also the report of the meeting (United Nations, 2001c, para. 16). A similar proposal was put forward by the International Council on Social Welfare at the financing for development hearings with civil society, held on 7 November 2000 (Disney, 2000). OECD and United Nations model tax conventions propose maximum withholding rates for taxes on interest and dividends. The merits and limitations of withholding taxes on capital income are analysed by Zee (1998, pp. 587-599).

H. International system of coded identification for all individual and corporate income taxpayers (United Nations, 2000, p. 5)

13. The above-mentioned document for the Ad Hoc Expert Group Meeting on Strategies for Improving Resource Mobilization in Developing Countries and Countries with Economies in Transition further recommended an international system of coded identification for all individual and corporate income taxpayers. The code would refer to the jurisdiction in which the taxpayer resided or was registered, and be extended to record all those from which she, he or it derived income. Knowledge of the identity of the taxpayer attached to each code number would be confined to the tax authorities of the jurisdictions referred to in the code number, but information relating to the taxpayer's income would be shared among them — in certain circumstances automatically, and in other circumstances upon request. See also the report of the meeting (United Nations, 2001c, para. 16). OECD has recommended that countries encourage non-resident recipients of income to disclose their resident country tax identification numbers to the payers of income who in turn will be required to pass the numbers to the tax authorities of the source country (OECD, 1997, 1997a; Perez-Navarro, 1999, pp. 18-21).

I. Global forum on taxation (OECD, 2000b)

14. The Organisation for Economic Cooperation and Development launched, on 28 and 29 June 2000, proposals for a global forum on taxation. The forum provides a framework within which OECD member countries and non-member countries can develop a dialogue on and propose solutions to issues of mutual interest and concern. The forum dialogue has reached at least 70 interested non-member countries in a number of contexts, ranging from high-level meetings to regional technical seminars and covering areas such as the taxation of electronic commerce, exchange of information, tax treaties, transfer pricing and tax administration. Participation is by invitation only. The global forum complements the dialogue between countries members of OECD and other countries with regional forums, such as the Asia-Pacific Economic Cooperation forum, and regional tax organizations.

J. Multilateral agreements on mutual assistance and information exchange (e.g., Council of Europe, 1989; Inter-American Center of Tax Administrations, 1999; ECOFIN, 2000; OECD, 2000; United Nations, 2001a)

15. A number of proposals have been put forward to improve mutual assistance and the exchange of information between tax authorities:

(a) OECD and the Council of Europe have in place the *Convention on Mutual Administrative Assistance in Tax Matters* (Council of Europe, 1989). Oxfam (UK) (2000, p. 18) proposed that the Convention should be further developed to define minimum standards of transparency and disclosure by companies and to develop wider networks of cooperation, extending to developing countries;

(b) The European Union has a similar instrument (European Commission, COM (1998) 295 final; European Commission, COM (2001) 260 final; Council of the European Communities, 1977). The European Union Council of Economics and Finance Ministers proposed a directive on the taxation of income from cross-border savings by individuals, which commits that, by 2010, all 15 countries members of the European Union would be engaging in the automatic exchange of information on savings flows. The directive was endorsed by the European Council (2000) and given substantive content by ECOFIN (2000). The proposal is explicitly dependent on bilateral agreements with non-European Union members;

(c) The Inter-American Center of Tax Administrations in 1999 endorsed a Model Agreement for the Exchange of Information Agreement (Inter-American Center of Tax Administrations, 1999);

(d) The OECD and United Nations model tax conventions are also continuously changed to enhance mutual assistance and the exchange of information among countries;

(e) OECD (2000a) in 2000 issued a report on improving access to banking information, which set out a standard to which all countries should aspire.

16. All of the above-mentioned proposals move in the direction of increasing access to information for tax authorities and putting in place effective mechanisms for the exchange of such information. The International Council on Social Welfare, at the financing for development hearings with civil society held on 7 November 2000, proposed stronger international obligations for the provision of information to, and between, tax authorities (Disney, 2000). Tanzi and Zee (1999, pp. 58-63) contains a comprehensive discussion of bilateral and multilateral agreements, and the merits and limitations of information exchange in general are discussed in Tanzi and Zee (2001).

K. Global Tax Network (World Bank, IMF and OECD, 2001)

17. Discussions are currently taking place between the staff of IMF, the OECD secretariat and the World Bank to launch a global tax network, to be managed jointly by the aforementioned institutions and possibly also the United Nations, as a first step in facilitating a global tax dialogue. A primary responsibility of this network would be to prepare for regular meetings on topics of common interest, to oversee the sharing of information and to identify issues that should be taken up by the sponsoring organizations and regional tax organizations. The proposal contemplates that all countries would be welcome to participate with no preconditions, along with regional tax organizations and regional development banks.

18. Core functions of the network would be:

(a) Discussion of tax matters of common interest;

(b) Sharing of experience;

(c) Identification of best practices;

(d) Maintenance of a widely accessible database on current and prospective technical assistance activities in tax policy and administration.

The final institutional structures of the proposed global dialogue, as well as its role and responsibilities, would emerge over a number of years.

19. One additional feature that has been suggested is that, every three or four years, an intergovernmental body, such as the Economic and Social Council, would review the work programme and progress, thereby helping to shape the future agenda of the network.

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Annex

International organizations providing a forum for intergovernmental discussions on taxation[a]

Organization	*Participating countries*	*Meetings per year*	*Staff working full-time on taxation*[b]	*Main areas of focus*	*Work methods*	*Typical participants*
A. International intergovernmental organizations						
World Trade Organization	142; over 30 applicants	3[c]	0	Tax issues related to trade and investment: primarily indirect taxes	Intergovernmental negotiations	Investment and trade experts
United Nations (Economic and Social Council)	189 (54)	1-3	2 plus consultants	Tax treaties, transfer pricing, financial derivatives, tax havens, e-commerce	Intergovernmental negotiations: models, guidelines, publications	Mainly treaty negotiators
United Nations Conference on Trade and Development	191	1	1/2 man-month plus consultants	Transfer pricing (accounting aspects), foreign direct investment, tax incentives	Intergovernmental negotiations: accounting standards	Experts in accounting/ incentives
International Monetary Fund	183	Varies	47 in 2000 (including consultants)	Tax policy and administration	Bilateral consultations and technical assistance	Economic policy makers and tax administrators
World Bank	183	Varies	About 8 plus consultants	Tax policy and administration	Bilateral demand-driven technical assistance	Tax policy makers and tax administrators
World Customs Organization	151	Up to 10	18	Customs	Intergovernmental negotiations: models, best practices, standard	Customs officials

Organization	*Participating countries*	*Meetings per year*	*Staff working full-time on taxation*[b]	*Main areas of focus*	*Work methods*	*Typical participants*
Organisation for Economic Cooperation and Development	30 member countries plus network of 70 non-member economies	120	30 plus consultants	International and related domestic issues, direct and indirect taxes, tax policy and administration	Intergovernmental negotiations: models, guidelines, best practices	Tax policy makers and tax administrators
Commonwealth Association of Tax Administrators	47	3 (?)	1 plus consultants	Direct tax administration and selected policy issues	Conferences and training	Tax administrators
B. Regional intergovernmental organizations						
Inter-American Center of Tax Administrations	34 (including 4 non-American members and 1 non-American associate member)	6	11 plus consultants	Tax administration, direct and indirect taxation	Conferences, technical assistance, working groups on best practice	Tax administrators
Asia-Pacific Economic Cooperation Forum	21	1	0	Customs and excise	Intergovernmental negotiations. Annual conference	Tax policy makers
European Union	15	30-40	60 plus	Indirect taxes but increasing direct taxes, mainly international	European Union directives, conventions, regulations	Tax administrators and policy makers
Centre de rencontres et d'études des dirigeants des administrations fiscales	27	1	1	Tax administration and selected policy in francophone countries	Conferences and training	Tax administrators

Organization	*Participating countries*	*Meetings per year*	*Staff working full-time on taxation*[b]	*Main areas of focus*	*Work methods*	*Typical participants*
Intra-European Organization of Tax Administrations	15	6	1	Tax administration in economies in transition	Conferences and technical assistance	Tax administrators
C. Selected governmental groups						
Pacific Association of Tax Administrators	4	2	0	Tax administration, domestic and international. Mainly direct taxes	Intergovernmental informal discussions	Tax administrators
Study Group on Asian Tax Administration and Research	12	2	0	Tax administration and selected policy issues	Intergovernmental informal discussions	Tax administrators
Nordic Group	5	3	0	Tax administration and policy. Mainly international	Intergovernmental informal discussions	Tax administrators and policy makers
Caribbean Organization of Tax Administrators	15			Tax administration	Training, research, dissemination of information and technical assistance	Tax administrators and policy makers
D. Non-governmental organizations						
International Bureau of Fiscal Documentation	-	-	40	International and domestic taxation	Research; dissemination of information	Typical non-governmental

Organization	*Participating countries*	*Meetings per year*	*Staff working full-time on taxation*[b]	*Main areas of focus*	*Work methods*	*Typical participants*
International Fiscal Association	-	-	1	International tax issues	Research; dissemination of information	Government and non-government

Note: Numbers provided are on an average basis.

[a] Excludes such organizations as the Inter-American Development Bank and Asian Development Bank, which are primarily engaged in regional technical assistance.

[b] Number of full-time Professional staff working on taxation.

[c] Of subsidiary group.